

Section 6.3. Transfer Taxes.

All sales or transfer taxes, including stock transfer taxes, document recording fees, real property transfer taxes, and excise taxes, arising out of or in connection with the consummation of the transactions contemplated hereby shall be paid by Purchaser.

Section 6.4. Preparation of Supporting Documents.

In addition to such actions as the parties may otherwise be required to take under this Agreement or applicable law in order to consummate this Agreement and the transactions contemplated hereby, the parties shall take such action, shall furnish such information, and shall prepare, or cooperate in preparing, and execute and deliver such certificates, agreements and other instruments as the other party may reasonably request from time to time before, at or after the Closing, with respect to compliance with the obligations of CareFirst, CFAC, or Purchaser in connection with the Merger and the Conversion. Any information so furnished by the parties shall be true, correct and complete in all material respects and shall not contain any untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein not misleading.

Section 6.5. Purchaser's Shareholders' Meetings.

If a meeting of Purchaser's shareholders is required to comply with Purchaser's obligations under the rules of the NYSE, after the filing of the Plan of Conversion with the appropriate state regulatory bodies and prior to any final hearing thereon, Purchaser will take all steps necessary to duly call, give notice of, convene and hold a meeting of its shareholders (including filing with the SEC and mailing to its shareholders the Purchaser Proxy Statement) for the purpose of approving the stock issuance contemplated by this Agreement and the Merger and for such other purposes as may be necessary or desirable in connection with effectuating the transactions contemplated hereby and thereby. Subject to applicable law, the fiduciary duties of the directors (including the duties of loyalty and care), and compliance by Purchaser and CFAC with the material terms and conditions of this Agreement, the Board of Directors of Purchaser shall, if such vote is so required, recommend that its shareholders vote in favor of and shall use its Best Efforts to obtain any necessary approval by the shareholders of Purchaser of the foregoing.

Section 6.6. SEC and Shareholder Filings.

Purchaser shall send to CareFirst copies of all public reports and materials as and when it sends the same to its shareholders or the SEC.

Section 6.7. Consents, Waivers, Authorizations, etc.

(a) —Each of CareFirst and Purchaser will use its Best Efforts to obtain all consents, waivers, authorizations, orders and approvals of and make all filings and registrations with, any

governmental commission, board or other regulatory body or any third party, required for, or in connection with, the performance by them of this Agreement and the consummation by them of the transactions contemplated hereby, or as may be required in order not to accelerate, violate, breach or terminate any agreement to which either party or any of their respective Subsidiaries may be subject. Each party will cooperate fully with each other party in assisting it to obtain such consents, authorizations, orders and approvals. The parties will not take any action which could reasonably be anticipated to have the effect of delaying, impairing or impeding the receipt of any required approvals, regulatory or otherwise.

~~(b) Without limiting the generality of the foregoing, the parties agree that Purchaser shall make such filings as are required in connection with this Agreement and the transactions contemplated hereby on its behalf, including the "Form A" regulatory filings to be made with the appropriate regulatory bodies and shall coordinate the conduct of the hearing or hearings before the appropriate regulator in each such jurisdiction in connection with such filings. The hearings referred to in the preceding sentence are referred to individually as a "Hearing" and collectively as the "Hearings." CareFirst and Purchaser will reasonably cooperate with regard to the content of the filings referred to in the first sentence of this Section 6.7(b). CareFirst and Purchaser, as the case may be, shall submit all such filings and hearing testimony, witness lists and other similar materials relating to the hearing to the other for its review prior to filing. Purchaser agrees to appeal any adverse findings in connection with any orders issued as a result of the Hearings and to use its Best Efforts in pursuing such appeal (assuming that Purchaser, and not CareFirst, is the appropriate party to file such appeal). CareFirst and Purchaser will reasonably cooperate with regard to such appeal.~~

Section 6.8. Process for Approval of Conversion of Primary CareFirst Companies and Merger.

As soon as practicable after the date of this Agreement, the parties shall proceed with the Primary Filings in the manner set forth in this Section 6.8.

(a) The Primary CareFirst Companies shall take all appropriate and necessary steps and shall use their Best Efforts so that, immediately prior to the Merger, the Primary CareFirst Companies shall convert from non-stock membership corporations to stock corporations and from not-for-profit status to for-profit status (collectively, the "Conversion"). Without limiting the generality of the foregoing, the Primary CareFirst Companies shall within 30 days after the date of this Agreement cause a plan of conversion in substantially the form set forth in Appendix H (the "Plan of Conversion") to be filed with (i) the Maryland Administration under the Maryland Acquisition of Nonprofit Health Entities Act, (ii) the D.C. Superintendent and the Corporation Counsel of the District of Columbia under the District of Columbia Hospital and Medical Services Corporation Act and the District of Columbia Health Care Entity Conversion Act, and (iii) the Delaware Commissioner or such other Delaware authority as may be appropriate. In connection with the Conversion, CareFirst shall apply for the Private Letter Ruling. Prior to the submission of such ruling request, CareFirst will consult with Purchaser regarding the pertinent factual representations to be made in connection with such ruling request and subsequent supplemental submissions.

(b) The Primary CareFirst Companies shall take all appropriate and necessary steps and shall use their Best Efforts to (i) cause the United States Congress to enact legislation that permits BCBS-NCA to be rechartered as a District of Columbia corporation under the District of Columbia Nonprofit Corporations Act and (ii) cause the legislature of Delaware to enact legislation that permits BCBSD to convert to a stock corporation. Purchaser shall cooperate and assist in these legislative efforts in such manner as CareFirst may reasonably request.

(c) Purchaser shall within 30 days after the date of this Agreement make (i) the filing that it is required to make under the Maryland Acquisition of Nonprofit Health Entities Act, and (ii) the "Form A" regulatory filings that it is required to make with the Maryland Administration, the D.C. Superintendent and the Delaware Commissioner. Purchaser and CareFirst will seek to combine in a single joint filing the filings that each is required to make under the Maryland Acquisition of Nonprofit Health Entities Act.

(d) CareFirst and Purchaser shall reasonably cooperate with regard to the content of the filings referred to in subparagraphs (a) and (c) and shall submit all such filings and hearing testimony, witness lists, and other similar materials relating to the hearing any hearing in connection with such filings to the other for its review prior to filing. Purchaser agrees to appeal Any hearing in connection with the filings referred to in subparagraphs (a) and (c) is herein referred to as a "Hearing." The parties will seek to combine (i) any Hearing on the Conversion with any Hearing on the Merger under the Maryland Acquisition of Nonprofit Entities Act, and (ii) any Hearing with respect to the Conversion of any Primary CareFirst Company with the corresponding Form A Hearing with respect to the acquisition of control of such company, and in this event, the parties shall prosecute and conduct such combined Hearing jointly. In addition, the parties will seek to have the appropriate regulators in Maryland, the District of Columbia and Delaware conduct a single combined Hearing on the Conversion and the Merger, and in this event the parties shall prosecute and conduct such combined hearing jointly. Otherwise, each party shall prosecute and conduct the Hearing with respect to the filing that it is responsible for under subparagraph (a) or (c), respectively. Each party will cooperate and coordinate with the other with respect to any Hearing. Subject to each party's right to terminate pursuant to Section 8.1(b), CareFirst and Purchaser each agree to appeal (if they have standing to do so) any adverse findings in connection with any orders issued as a result of any Hearing, to use their best efforts in pursuing such appeal, and to reasonably cooperate with regard to such appeal.

Section 6.9. Liability; Indemnification.

From and until six years after the Effective Time:

(a) CareFirst shall, and Purchaser shall cause CareFirst and the CareFirst Subsidiaries to, keep in full force and effect any provisions in their respective charters and bylaws providing for immunity from monetary liability for, exculpation of liability for, and indemnification of, present or former trustees, directors, officers, fiduciaries, employees or agents as in effect immediately prior to the Closing, which provisions will not be amended, repealed or otherwise

modified except as required by applicable law, or except for changes permitted by law that would enlarge the rights under such provisions or would not adversely affect the rights thereunder of individuals who, on or prior to the Closing Date, were trustees, directors, officers, fiduciaries, employees or agents of CareFirst or the CareFirst Subsidiaries, as the case may be.

(b) CareFirst shall, and Purchaser shall cause CareFirst and the CareFirst Subsidiaries to, maintain in effect, liability insurance against claims asserted based on acts or omissions occurring at or prior to the Closing covering those persons who are currently covered by CareFirst's or the CareFirst Subsidiaries' (as the case may be) liability insurance policy or policies, on terms substantially as favorable as the terms of such insurance coverage in effect as of the Closing Date.

(c) In the event Purchaser, CareFirst or any CareFirst Company or any of their respective successors or assigns (i) consolidates with or merges into any other person and is not the continuing or surviving corporation or entity of such consolidation or merger or (ii) transfers all or substantially all of their respective properties and assets to any person, then, and in each such case, proper provision will be made so that the successors and assigns of Purchaser, CareFirst and any CareFirst Company, as the case may be, will assume the obligations set forth in Sections 6.9(a) and (b) if they are not otherwise assumed by operation of law.

(d) This Section 6.9: (i) will survive the Closing; (ii) is intended to benefit each CareFirst Company, and the individuals who at or before the Closing were trustees, directors, officers, fiduciaries, employees and agents of any CareFirst Company, and their respective heirs, executors, administrators, representatives and successors; and (iii) is in addition to, and not in substitution for, any other rights to immunity, exculpation, indemnification, contribution or insurance that any such individual may have by contract or otherwise.

Section 6.10. Hart-Scott-Rodino Notification.

Each of CareFirst and Purchaser shall prepare and file on a date agreed to by the parties a notification with the DOJ and the FTC as required by the HSR Act. Purchaser shall pay any fees required in connection with a notification under the HSR Act. Each party shall cooperate with each other party in connection with the preparation of such notification, including sharing information concerning sales and ownership and such other information as may be needed to complete such notification. The parties further agree to cooperate with one another to the extent necessary to comply with any requests by the DOJ or the FTC under the HSR Act for additional information arising from the notification. Each party shall keep confidential all information about the other party obtained in connection with the preparation of such notification or response to requests for additional information.

Section 6.11. Further Assurances.

Subject to the terms and conditions herein provided, each of CareFirst and Purchaser agrees to use its Best Efforts to take, or cause to be taken, all actions, and to do, or cause to be done, all things reasonably necessary, proper or advisable to consummate and make effective as

promptly as practicable the transactions contemplated by this Agreement, including (a) the defending of any lawsuits or other legal proceedings, whether judicial or administrative, challenging this Agreement or the consummation of the transactions contemplated hereby, (b) obtaining all governmental consents acquired for the consummation of the Merger, the Conversion and the transactions contemplated hereby, and (c) making all necessary filings under the HSR Act. Upon the terms and subject to the conditions hereof, each of the parties agrees to use its Best Efforts to take, or cause to be taken, all actions and to do, or cause to be done, all things reasonably necessary to satisfy the other conditions of the Closing set forth herein. Each party will consult with counsel for the other party as to, and will permit such counsel to participate in, at such other party's expense, any lawsuits or proceedings referred to in clause (a) above brought against any party. In case at any time after the Effective Time any further action is necessary or desirable to carry out the purposes of this Agreement, the officers and directors of the Surviving Corporation shall take all such necessary action to the extent not inconsistent with their other duties and obligations or applicable law.

Section 6.12. Public Announcements.

So long as this Agreement is in effect, each of CareFirst and Purchaser shall not and shall cause their affiliates not to issue or cause the publication of any press release or any other announcement with respect to disclosure relating to the Merger, the Conversion, this Agreement or the transactions contemplated by this Agreement hereby without the prior consent of the other party, except where such release or announcement or disclosure is required by applicable law or pursuant to any listing agreement with, or the rules or regulations of, the SEC or the NYSE, in which case each of CareFirst and Purchaser will permit review by the other of any such press release or announcement prior to its release or filing and shall deliver simultaneously a final copy of such release or announcement to the other upon its release or filing. CareFirst and Purchaser agree to coordinate their initial press releases announcing the execution of this Agreement and to coordinate all subsequent press releases relating to this Agreement or the transactions contemplated hereby. For so long as this agreement is in effect, CareFirst and its affiliates will not issue or cause the publication of any material press release, announcement or disclosure with respect to its business or the actual or anticipated results of its operations without first giving Purchaser an opportunity to review and comment on such release, announcement or disclosure, and upon the issuance of such release, announcement or disclosure, CareFirst will simultaneously deliver to Purchaser a copy thereof. Notwithstanding anything to the contrary herein or in the Confidentiality Agreement between the parties dated September 21, 2000, Purchaser may, in its discretion, make such press releases and public disclosures, announcements or other communications that it deems necessary or appropriate in response to press releases, public announcements, disclosures or communications made by any person that seeks to (1) contest, oppose or disparage the transactions contemplated by this Agreement, whether before the appropriate regulatory authorities or otherwise, (2) solicit or influence votes of Purchaser's shareholders against such transactions or (3) submit a Merger Proposal (as defined in Section 6.14) to CareFirst.

Section 6.13. Appointment of Directors of Purchaser.

Purchaser will cause ~~five~~ the Chief Executive Officer of CareFirst and four other persons who are members of the Board of Directors of CareFirst on the date hereof (selected by mutual agreement of the parties) to be elected or appointed as directors of Purchaser immediately following the Effective Time.

Section 6.14. Non-Solicitation.

So long as this Agreement is in effect, no CareFirst Company shall, and each shall use its Best Efforts to cause its representatives not to, directly or indirectly, solicit, initiate, encourage, or induce any proposal from a third party regarding a purchase, affiliation, or lease of all or a material part of the assets of CareFirst, whether by sale of capital stock, merger, consolidation, sale or lease of material assets, affiliation, joint venture, or other material transaction (a "Merger Proposal"). Neither the foregoing prohibition nor any other provision of this Agreement shall be interpreted to prohibit CareFirst from (a) making any disclosure of information required by law, or (b) providing information regarding CareFirst to, or negotiating with, any third party (provided such party is subject to an executed confidentiality agreement no less restrictive than the Confidentiality Agreement between the parties dated September 21, 2000) that makes an unsolicited written Merger Proposal; provided, however, that prior to any such action referred to in clause (b), (i) the Board of Directors of CareFirst shall have determined in good faith after consultation with its outside legal counsel and financial advisors that such Merger Proposal, if accepted by CareFirst on substantially the terms presented, is likely to be consummated and would, if consummated, result in a transaction superior to the one contemplated by this Agreement after taking into account all relevant factors, including, without limitation, the consideration to be received pursuant to such Merger Proposal (any such superior Merger Proposal being referred to herein as a "Superior Proposal") and (ii) CareFirst shall have promptly informed Purchaser of any such Merger Proposal ~~and~~ and shall otherwise have disclosed to Purchaser all the material terms of the Merger Proposal, ~~to Purchaser.~~

Section 6.15. Resale Registration Statement.

~~As soon as practicable after the date of this Agreement, Purchaser shall file with the SEC~~ and shall use its Best Efforts to have ~~cleared~~ declared effective by the SEC effective immediately after Closing, the Resale Registration Statement to register under the Securities Act the shares of Purchaser's Class A Common Stock to be issued in the Merger for resale by the Tax-Exempt Entities ~~after the Closing~~. CareFirst will provide all information, financial and otherwise, concerning CareFirst as may be needed in the Resale Registration Statement. Purchaser and CareFirst shall use their Best Efforts to comply, prior to the Effective Time, with all applicable requirements of federal and state securities laws in connection with the Merger and the issuance of Purchaser's Class A Common Stock in connection therewith. In addition, Purchaser shall promptly file all appropriate applications with the NYSE to have the Purchaser's Class A Common Stock approved for listing on the NYSE upon notice of issuance. All resales of Purchaser's Class A Common Stock by any Tax Exempt Entity subject to the

Voting Trust Agreement described in Appendix F shall be made in compliance with such Voting Trust Agreement.

Section 6.16. Transaction Objectives.

After the Closing, CareFirst and Purchaser shall use their respective Best Efforts to achieve the following objectives:

- (i) create an enterprise that reflects and takes advantage of the proportionate strengths, contributions, resources and prospects of each of the parties in a logical, progressive step consistent with sound business practice;
- (ii) enhance the offering of competitive Blue Cross Blue Shield and other related health care products for Delaware, the District of Columbia, Maryland and Virginia;
- (iii) ~~provide to a significant portion of the workforce of the CareFirst Companies continued employment within each Company's~~ the current service area of each Primary Care First Company, as well as opportunities for employment with other of the parties within the entire area serviced by the parties, collectively;
- (iv) create a collective enterprise that will provide additional financial strength for the customers of each of the parties, will allow each of the parties access to necessary capital to support strategic initiatives and will position the collective enterprise as a more significant regional competitor;
- (v) allow the Primary CareFirst ~~Companies~~ Insurers to continue as separate corporations subject to local regulation ~~and with a significant level of local operational control;~~
- (vi) create an organizational structure for the Primary CareFirst Insurers that ~~retains~~ seeks to retain key employees of each; and
- (vii) cause, allow and assist the Primary CareFirst Insurers to continue to maintain a significant presence within their respective jurisdictions, including the operation of facilities located in each jurisdiction, and the provision of products and services to residents in their respective jurisdictions.

Section 6.17. Advisory Boards.

An Advisory Board will be formed for each of the Primary CareFirst ~~Companies~~ Insurers. Each individual who serves as a director of one those companies at Closing will, subject to such person's acceptance of such appointment, serve on the Advisory

Board for that company, and the current directors of CareFirst who do not currently serve on the Boards of any Primary CareFirst Insurer will, subject to such person's acceptance of such appointment, be appointed to serve on one of the Advisory Boards, as designated by CareFirst. Each Advisory Board will provide guidance to its respective company regarding the company's relationship with subscribers (both group and non-group), providers and the general public. Each director appointed to an Advisory Board shall serve for a term of two years from the Closing on the same terms and conditions currently applicable to such individual's service on the Board of Directors of any Primary CareFirst Company as of the date of this Agreement.

Section 6.18. Management Responsibility.

[To come.]

Section 6.19. Employee Benefits.

[To come. One of the items will be that we need an acknowledgement from Purchaser that CareFirst is subject to certain existing agreements under its Business Affiliation Agreement dated as of December 23, 1998 [March 22, 2000 ?] with BCBSD, including agreements set forth in Section 7.5 thereof relating to benefit plans and compensation matters and that Purchaser agrees to be bound by the terms of such agreements.]

Section 6.20. CareFirst Financial Information.

(a) So long as this Agreement is in effect, CareFirst shall furnish to Purchaser within 30 days after the end of each fiscal quarter or year, as applicable, quarterly unaudited and annual audited consolidated financial statements of CareFirst and the CareFirst Companies in the form that CareFirst would be required to file quarterly unaudited and annual audited financial statement with the SEC if CareFirst were a stock company that was required to file periodic reports with the SEC under Section 13 of the Securities Exchange Act of 1934 (such financial statements being herein referred to as the "CareFirst SEC Statements"). The CareFirst SEC Statements shall be true and correct in all material respects, shall be prepared in accordance with GAAP, consistently applied throughout the periods covered by such statements (except as may be stated in the explanatory notes to such statements), and shall present fairly in accordance with GAAP in all material respects the consolidated financial position and consolidated results of operations of CareFirst and the CareFirst Companies at the dates and for the periods covered thereby, subject in the case of quarterly unaudited financial statements to normal recurring year-end adjustments. CareFirst shall publicly release the CareFirst SEC Statements at a date mutually agreed by CareFirst and Purchaser; provided, however, that nothing in this Section 6.20 shall prohibit CareFirst from making any regulatory filing required by law.

(b) So long as this Agreement is in effect, (i) CareFirst shall, simultaneously with the filing thereof, furnish to Purchaser all financial statements filed by any CareFirst Company with the Maryland Administration, the D.C. Superintendent, the Delaware

Commissioner, or the Virginia State Corporation Commission; and (ii) and CareFirst shall, within seven days of the receipt thereof, furnish to Purchaser any report of examination (financial, market conduct or otherwise) pertaining to any CareFirst Company issued by the Maryland Administration, the D.C. Superintendent, the Delaware Commissioner, or the Virginia State Corporation Commission.

ARTICLE VII

Conditions

Section 7.1. Conditions to Each Party's Obligations.

The respective obligation of each party to effect the Merger and the other transactions to be effected contemporaneous with or as a result of the Merger shall be subject to the fulfillment at or prior to the Effective Time of the following conditions:

(a) *Conversion.* The Conversion shall have occurred substantially on the terms set forth on Appendix A or on such other terms that do not reduce the value or benefits of the transaction to Purchaser.

(b) *Shareholder Approval.* If required, this Agreement and the Merger shall have been approved at or prior to the Effective Time by the requisite vote of the shareholders of Purchaser in accordance with generally applicable law and the Certificate of Incorporation and Bylaws of Purchaser.

(c) *No Injunction.* No order, statute, rule, regulation, executive order, stay, decree, judgment or injunction shall have been enacted, entered, promulgated or enforced by any court or governmental authority which prohibits or prevents the consummation of the transactions contemplated hereby and which has not been stayed or vacated by the Effective Time. Each of CareFirst, CFAC, and Purchaser shall use its Best Efforts and shall cooperate with each other to have any such order, statute, rule, regulation, executive order, stay, decree, judgment or injunction vacated, lifted or stayed.

(d) *HSR Act.* Any waiting period applicable to the Merger under the HSR Act shall have expired or earlier termination thereof shall have been granted.

(e) *NYSE Listing.* The Purchaser's Class A Common Stock issuable in the Merger shall have been approved for listing on the NYSE upon notice of issuance.

(f) *Consent of State Regulators.* All consents of the Maryland Administration, the D.C. Superintendent, the Delaware Commission and any other appropriate state regulatory bodies that are required to consummate the transactions contemplated hereby shall have been obtained pursuant to orders which by their respective terms do not impose any Materially